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SUBJECT: END GAME IN BURMA'S ETHNIC WARS

Classified By: COM Carmen Martinez. Reason: 1.5 (d).

1. (C) Summary: Burma has basically won its ethnic wars. While some small-scale operations continue, the situation now is nothing like it was in the late 1980s. Then, 20 separate insurgent groups could put more than 60,000 troops in the field in Burma. Now, the five or six groups that remain active can muster at most 5,000 troops. All, moreover, have been reduced to guerrilla operations; none are any longer capable of holding territory in Burma.

2. (C) Behind these developments lie an integrated GOB political, military, economic, and diplomatic strategy that, in many ways, was the exact opposite of Ne Win's approach. Led by Secretary 1 Khin Nyunt, the GOB has mixed political negotiations with military force, economic inducements, and diplomatic initiatives to isolate, defeat, co-opt, and slowly re-integrate its armed opponents within the Burmese Union. The entire 14-year campaign is an excellent example of the political skills the SPDC can display when issues of high interest to them are at stake.

3. (C) Problems remain, however. It is still not clear how the government plans to integrate these former insurgent groups and their special regions into an enduring constitutional order. International appreciation of the government's victory has also been strictly limited. Regional states like China, India, and Thailand have accepted the GOB's victory. In the West, however, the view is decidedly more negative. While some Western governments have welcomed the re-establishment of order in areas previously governed by criminal elements, for most, the allegations of human rights abuses that accompanied the GOB's campaign have only solidified their view of the GOB as a brutal dictatorship. Finally, but perhaps most seriously, there is no guarantee that the government's work will last. For whatever success the GOB has had in ending the ethnic wars and reconstructing the Union of Burma, it has failed miserably as a government -- to the point of never even laying a secure fiscal basis for continued rule. If that is not corrected, then all of the GOB's work in reconstructing the Union, through war, diplomacy, and political negotiations, could well be washed away. End Summary.

4. (C) For all intents and purposes, the GOB has won its ethnic wars. While low intensity operations continue on both the eastern and western borders, the situation now is nowhere near what it was when the State Law and Order Restoration Council (SLORC) seized power in 1988. Then, the GOB was faced with over 20 active insurgent groups capable of putting a combined total of over 60,000 soldiers in the field. The Kachin Independence Organization controlled the largest portion of Kachin State; the Burmese Communist Party held most of northern Shan State east of the Salween river; Khun Sa's Mong Tai Army was ensconced in southern and western Shan State; and the Karen National Union held broad swathes of Karen State. Now, virtually none of this remains. The only armed opposition still in the field -- the Karen National Union (KNU), the Karenni National Progressive Party (KNPP), the Shan State Army (South), the Chin National Front (CNF), and the Arakan Rohingya National Organization (ARNO) -- taken altogether, can perhaps put 5,000 troops in the field. All, moreover, have largely been reduced to guerrilla operations. None are capable any longer of holding territory in Burma.

National Defense and Counter-insurgency Strategy

5. (C) Behind this change lies an integrated GOB political, military, and economic strategy that has matured as the GOB has moved away from the simple-minded defense strategies of the Ne Win and U Nu years. Ne Win basically believed that the greatest threats to Burma would arise from its nearest neighbors (China, India, and Thailand) and that its greatest strength lay in its natural defenses -- the mountains and forests that surround the Burman heartland. Burma, he believed, could rely on natural obstacles to hold up any attacker and on a lightly armed people's army to cut the enemy to pieces in the forests. It became, as a consequence, policy under both the U Nu and Ne Win governments to leave the wilderness areas intact -- in effect, to sacrifice the development of those border areas to Burma's national defense priorities.

16. (C) That approach, however, had disastrous side-effects, providing both the motive and the opportunity for ethnic rebellions. It antagonized the ethnic inhabitants of the outlying regions, who found themselves cut off from any hope of development. It also limited the government's writ in those areas, as the wilderness that the Burmese created proved equally impenetrable from the Burmese side. The Burmese Army could mount dry season sweeps through these regions, but it could not maintain a presence in the face of popular resistance. As a result, the GOB rapidly found itself surrounded not by buffers to invasion, but by safe-havens from which bandits and insurgents could operate with impunity. Law and order broke down and ethnic insurgencies spread to the point where, by the mid-1980s, virtually all of Burma's inland borders were in the hands of insurgents.

#### The Turning Point

17. (C) Fortunately for the government, the insurgents had their own problems. Factionalism was rife and foreign support uncertain. China, in particular, backed off from support of the Burmese Communist Party (BCP) after the rise of Deng Xiao Ping in the late 1970s. Thailand, similarly, swung back and forth between support for ethnic rights in Burma and concern about the refugee, crime, and public health problems generated by the insurgencies in Burma. As a result, neither the GOB nor the insurgents could gain the upper hand until events brought in new leadership, both in Rangoon and among the major insurgents during the late 1980s.

In Rangoon, the military established a new military council (the State Law and Order Restoration Council) in place of Ne Win's failed dictatorship. Six months later (in March and April 1989) a series of mutinies tore the BCP into a set of smaller ethnic armies whose first priority was not national revolution, but peace and development for their own regions.

18. (C) Recognizing the opportunity (and the necessity for change), the GOB, led by Secretary 1 Khin Nyunt, basically turned government policy on its head. Within months, the GOB negotiated political agreements with four factions of the BCP -- the Kokang Chinese under Peng Kya Shin, the Wa under Kyauk Ni Lai and Pauk Yu Chan, the Shan, Akha, and Lahu under Sai Lin, and the BCP's Kachin under Ting Ling. Active hostilities were brought to a close, while the former insurgents were allowed to keep their arms and to administer the territories they occupied. Khin Nyunt described the approach as giving the ethnic groups what they wanted -- peace and an opportunity for development. The final agreements, however, also solidified splits among the ethnic factions and helped ensure that the GOB would never again have to face the combined strength of the BCP in the field.

19. (C) Over the next half-decade, the GOB offered the same basic political deal to all other insurgent groups. It also added military, economic, and diplomatic elements to its strategy. On the military side, the Burmese Army ditched the idea of fighting a "people's war" -- a doctrine which had kept its own lightly armed forces on a par with the insurgents -- and began to add manpower, heavy weapons, and a logistic tail that would allow it to sustain operations year-round in insurgent areas. It also concentrated against the most recalcitrant groups -- the KNU and Khun Sa's Mong Tai Army -- eventually forcing the Mong Tai Army into surrender and the KNU out of Burma entirely. On the economic side, it sweetened the deal. Originally, the GOB offered the former insurgents only control of the economic resources within the territories they administered. Basically, this amounted to border trade, logging and mineral rights, and the illicit traffic in narcotics. Beginning in 1990, however, the GOB added a borderlands development program, which has since contributed more than 20 billion kyat (according to government figures) to development in areas controlled by the former insurgents. It also passed out mineral rights within Burma proper and opened up the Burmese economy to investments by the insurgent groups, allowing the Wa, for instance, to make investments in banks, airlines, plantations, ranches, and factories throughout Burma. While this has been controversial, with many Burmese accusing the government of selling off the economy's crown jewels to criminal elements, it has also given the former insurgents a stake in the Union and opened development opportunities for them that go beyond crime.

10. (C) This promise of peace, development, and self-rule, when combined with the threat of increased military action and the lure of economic benefits, proved irresistible to most insurgent groups. Between 1990 and 1995, seventeen separate groups reached agreements with the government, including the Kachin Independence Organization, the Kayan New Land Party, the New Mon State Party, the Pa'O National Organization, the Palaung State Liberation Party, and a variety of other smaller groups. One year later, the Mong Tai Army surrendered, leaving the KNU as the only significant insurgent group still in the field. Even the KNU, however, was only a shadow of its former self. Split into two rival

religious factions (the KNU proper and the Democratic Karen Buddhist Army, which has since allied itself with the GOB), the KNU has not been able to carry out any significant military operations in Burma since 1996.

#### Finishing the Job

11. (C) Since then, the GOB has focused on reducing the remaining centers of resistance and re-incorporating the former insurgent territories within the Burmese Union. Neither problem has been solved, but the outlines of the government's plans are clear. In the case of the remaining active insurgencies, the GOB will continue to combine offers of negotiation with military and diplomatic pressure. For the KNU, the KNPP, and other groups that the GOB recognizes as legitimate representatives of national races in Burma, the GOB has basically left the terms of the 1988-95 agreements on the table. As then, it is prepared to offer peace, amnesty, self-administered areas, and the right to keep their arms and private armies in return for pledges of loyalty to the Union and a renunciation of armed struggle. In contrast, it has offered the Shan State Army-South only the surrender terms originally accepted in 1996 by their original leader, Khun Sa, and his Mong Tai Army.

12. (C) Meanwhile, the GOB has maintained the military pressure on these armed groups, extending its operations right up to the Thai border, while relocating villages in Shan, Karen, and Kayah States on which the Shan State Army (South), the KNU, and the KNPP depend for support and shelter. For the insurgents, the effect of these operations has been devastating. Without the protection of a sheltering population and faced with a serious enemy, most have abandoned significant military operations. The SSA now almost never operates anywhere outside the range of covering fire from Thai guns, while the KNU and KNPP have slowly drifted towards banditry.

13. (C) Finally, on the diplomatic front, the GOB has taken advantage of Thai Prime Minister Thaksin Shinawatra's interest in stability, legality, and economic development in northeast Thailand, and in securing Burmese cooperation in pursuing those aims, to reduce Thai support for insurgent groups. This effort came to a head during the summer of 2002, following clashes on the Thai/Burmese border. Since then, it has become increasingly clear that the days of launching insurgent attacks on Burma from Thai soil may finally be over. The remaining Burmese insurgent groups in Thailand may be able to continue their political activities; cross-border military action, however, will likely become increasingly difficult.

14. (C) This new Thai government approach has, in turn, put the insurgents in a difficult position, forcing many to seriously consider negotiations. The KNPP, in fact, has already split, with one fairly large group under Richard Htoo having accepted the government's terms -- essentially resuming the cease-fire agreement originally negotiated in 1995. The KNU is also deep in negotiations with the GOB, although it remains to be seen whether KNU strongman Bo Mya will ever be able to bring himself to accept a cease-fire. Even the SSA has asked for terms, though the difference between what they are asking for (essentially autonomy within their own self-administered region) and what the government will give (basically an amnesty plus a new start in life for individuals) is huge.

#### Re-integration

15. (C) The GOB has coupled its continuing counter-insurgency operations with efforts to re-incorporate former insurgents in the Union. Its approach has basically been to maintain the spirit of the original cease-fire agreements -- at least while the GOB was negotiating similar agreements with others -- but to make clear that 1) everything depends on the capacity of the former insurgent groups to maintain order in their territories and 2) that nothing in those agreements gives anyone the right to violate the law, or ignore other political and administrative arrangements prevailing in the Union. The Kokang Chinese, in particular, have felt the bite of the first condition. When a coup by the Yang family (the traditional rulers of the Kokang) and a counter-coup by Peng Kya Shin split the Myanmar National Democratic Alliance Army in to three separate groups during the mid-1990s, the GOB picked a favorite (Peng Kya Shin) and moved in to re-establish a Burmese Army presence (and now dominance) in the previously sacrosanct cease-fire area. Similarly, when a mutiny split Mon Sa La's Mong Ko Defense Army in 2000, the Burmese Army moved in, occupied Mong Ko and wiped both competing bands off the map.

16. (U) The GOB has also slowly extended its administrative reach into the former insurgent territories through subsidies and aid programs, the re-establishment of education and health services, and introduction of Burmese police and military operations. In 2001, for the first time, the GOB established a Burmese police presence in the Wa territories

and a Burmese military intelligence office in the Wa capital of Pang Sang. Requests for permission for government visits to cease-fire areas or Burmese military transit through these areas have also become largely perfunctory. Where once it really did ask permission, the GOB now merely notifies the cease-fire groups that it is coming, and then goes, regardless of whether it receives an answer or not.

17. (C) On the legal front, the GOB has conditioned its support for former insurgent groups on pledges by the groups to make their regions opium-free. Sai Lin of Shan State Special region No. 2 around Mong La pledged to make his region opium-free by 1997, and has apparently done so, albeit while building Mong La into a flourishing center for gambling and prostitution. Peng Kya Shin of the Kokang Chinese, similarly, pledged to be out of opium by 2000, but failed, and is now paying the price for that failure through an extended joint Burmese/Chinese police crackdown on Kokang narcotics operations. As for the Wa, they are due to be out of opium by 2005 and are apparently on track.

18. (C) Finally, by some well-managed diplomacy, the GOB has earned China's support for both its law enforcement and its political efforts. Aroused by the growth of narcotics trafficking from Burma into and through Yunnan Province, China has changed from the historic ally of the BCP remnants that now form many of these cease-fire groups into one of their most resolute opponents, regularly demanding (and getting) cease-fire group cooperation in the suppression of narcotics production and trafficking all along its border with Burma. As nothing else could, these aggressive Chinese law enforcement operations have illustrated for the cease-fire groups the potential political consequences of continued involvement with narcotics. In simplest terms, the Chinese and the Burmese together have made it known that these groups have no political future, if they stay with drugs.

#### Conclusions

19. (C) A few basic points stand out from this history. First, Burma's ethnic wars are all but over. While a few peace agreements have yet to be negotiated, all of those that matter (with the KNU, the KNPP, and the SSA) could be completed within the next few months, i.e., by the close of the coming dry season.

20. (C) Secondly, the SPDC is anything but a simple extension of Ne Win's previous dictatorship, at least in its dealings with the ethnic insurgents. Where Ne Win was content to neglect and exploit the border areas for the sake of security in the Burman heartland, the SPDC has made defense of the Union -- the entire Union -- a national priority. That approach has had its own consequences for ethnic minorities -- the wars the SPDC has waged in the ethnic areas have been real wars, not the trivial sweeps once orchestrated by Ne Win. However, the peace, autonomy, and opportunity for development that the SPDC has offered these groups have been equally real. There has been no false dealing, a la Ne Win.

21. (C) Thirdly, the political skills the SPDC has demonstrated in dealing with these insurgencies belies their image in the West as political buffoons. While the SPDC has generally responded ineptly when asked to perform in accordance with the Western agenda on political and economic liberalization, on issues of vital concern to themselves (like these internal wars), they have acted with skills that many other states (think of Russia with the Chechens) can only envy. The difference is in part a matter of priorities. For the GOB, issues affecting the integrity of the union come first; nothing else really gets as much high-level attention.

22. (C) That said, it is also worth noting that whatever success the GOB has had in dealing with the insurgencies, there are still major unresolved problems. To start with, it is still not clear how the government plans to integrate ad hoc structures like the special regions into an enduring constitutional order. While it has been willing to allow the cease-fire group leaders a voice in Burma's constitutional debates, inviting several to its now suspended National Conference, there is a large group of Burmans (and Burmese Army officers), who would just as soon see these groups and their special regions disappear entirely. For the government, keeping faith with the cease-fire leaders while responding to the interests of these other influential groups will be a challenge.

23. (C) There has also been little international recognition of the government's victory. Regional states, such as Thailand, China, and India, which were the countries most affected by Burma's ethnic wars, have generally accepted the GOB's success. In their view, the resulting stability was far, far better than the lawlessness and anarchy that prevailed for so many years. In the West, the view is more jaundiced. Like regional states, some Western governments

have welcomed the re-establishment of order in areas previously dominated by criminal elements. However, others were horrified by the human rights abuses that accompanied the government's campaign in ethnic areas, solidifying their view of the GOB as a brutal dictatorship.

124. (C) Finally, but perhaps most seriously, there is really no guarantee that the government's work will last. For whatever success the GOB has had over the past fourteen years in ending the ethnic wars and reconstructing the Union of Burma, it has failed miserably in dealing with its own problems as a government. Even setting aside the deep resentment that it has engendered among the Burmese themselves through the long denial of their basic human and political rights, and its failure to deliver any semblance of prosperity, it has also failed to establish a fiscal basis for continued government. Having tried, like many before them, to run a government on the surpluses of state-owned enterprises, the SPDC has been left high and dry as those surpluses have disappeared. None of these problems are easy to deal with, but, if the government does not deal with them effectively, then all of its work in reconstructing the Burmese Union, through war, diplomacy, and political negotiations, could well be washed away.

Martinez